

ABSTRACT

Financial statement fraud causes many losses for a company and investors who use financial statements as a reference in making economic decisions. This study aims to find empirical evidence of the effect of fraud elements according to the Fraud Hexagon model on banking companies listed on the Indonesia Stock Exchange, Singapore, Malaysia and Thailand in 2019-2021.

The Beneish M-Score model is used to categorize companies indicated as fraud or non-fraud. The six elements of the Fraud Hexagon are proxied into several factors to facilitate measurement. These factors are financial stability (Stimulus), change in directors (Capability), political connection (Collusion), nature of industry (Opportunity), change in auditors (Rationalization), and CEO's narcissism (Ego). The number of companies that meet the criteria as a sample is 70 companies, which are obtained by applying the purposive sampling method. Data analysis was carried out through the logistic regression method.

The test results show a significant positive effect by financial stability on financial statement fraud. Meanwhile, the nature of industry negatively and significantly affects financial statement fraud. Meanwhile, other variables have no significant effect.

Keywords: Fraud Hexagon, Beneish M-Score, financial statement fraud, financial stability, change in directors, political connection, nature of industry, change in auditors, CEO's narcissism